




West River Electric Association, Inc.

Your Touchstone Energy® Partner 

1200 West Fourth Ave.
PO Box 412
Wall, SD 57790-0412
(605) 279-2135

3250 E. Hwy. 44
Rapid City, SD 57709
(605) 393-1500

"Powering You For A Bright Future"

March 25, 2022

Pauline Sumption
Finance Officer
City of Rapid City
300 Sixth Street
Rapid City, SD 57701-5035

****Sent via Email****

Dear Ms. Sumption:

We would like to renew our Electric Cooperative Revenue Agreement between The City of Rapid City and West River Electric Association, Inc. and Black Hills Electric Cooperative for 2023. I have also enclosed an updated agreement that can be signed. Our current agreement was for one year. I have made no changes to the agreement.

If you have any further questions, or need more information, please contact me.

Sincerely,

Dawn Hilgenkamp
CFO/Manager of Finance

CC: Richard Johnson, WREA
Walker Witt, BHEC



FAQ Sheet on Gross Receipts Tax

- This gross receipts tax is paid pursuant to SDCL 49-34A-45. The gross receipts tax under the statute pertains strictly to rural electric cooperatives, who are a minority electric utility supplier within the boundaries of a City who are supplied by another utility, in our case the majority supplier is Black Hills Energy. The tax was enacted back in the 1970's as a replacement tax for the personal property tax. Investor owned utilities, such as Black Hills Energy, are centrally assessed by the State of South Dakota. Below are the amounts of tax paid in the past and estimate of future payments:
- **2018 - 1% = \$138,939**
- **2019 – 1% = \$137,472**
- **2020 - 1% = \$135,472**
- **2021 - 1% = \$130,398**
- **2022 – 1% = Estimate Approximately \$131,050**
- **2023 – 1% = Estimated Approximately \$131,705 (this proposed agreement)**
- If we paid taxes on an Ad Valorem basis like Black Hills Energy does, based on our investment of approximately \$13.5 million of electric plant within the limits of Rapid City, and using a mill levy of 3.191 mills, we would produce a tax of approximately \$43,096. Compare that to our 2021 actual 1% gross receipts tax paid of \$130,398.
- The City of Rapid City can accept a rate in a range of 0% - 2% as a Gross Receipts Tax. In the interest of tax fairness for our members, when compared with what we would have paid on an Ad Valorem basis, we are asking the City of Rapid City an extension of the current revenue sharing agreement and accept a payment of 1% of gross receipts for 2023. This is still well above what we would be paying with the other tax.
- In addition, we charge our members who live within the city limits of Rapid City the 2% City sales tax. This sales tax is passed directly on to the member consumer. With the gross receipts tax, we have a choice of either passing it directly on to the member through their bill or absorbing it as a cost of business. So far, we have chosen the latter position of absorbing the tax within our rate base.
- We also paid \$208,076 in real estate taxes on land, buildings, and substation land within Rapid City in 2021
- In 2021 we reduced the amount of sales revenue by 6.3% at the end of the year by implementing a negative power cost adjustment. This reduced our members bills approximately 20% in October, November and December.